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Next 1 Page(s) In Document Denied

Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

22 March 1984

The Two Koreas and the Iran-Iraq War [redacted]

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Summary

The two Koreas are major arms suppliers to Iran and Iraq. P'yongyang, anxious to expand its political influence in the Middle East and to earn cash, is the prime military supplier to Tehran. South Korea maintains a more balanced relationship and has sold lethal and nonlethal goods to each side, albeit at lower levels than the sales of North Korea. P'yongyang will continue sales at current levels as long as Iran will pay. Seoul, although concerned about pressures from the United States, has not yet made the presidential level decisions needed to end all military sales to Iran. [redacted]

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North Korean Arms to Iran

P'yongyang is Tehran's largest supplier of weapons, ammunition, and military equipment. [redacted] we estimate that arms shipments between 1980 and 1983 totaled at least \$1 billion. In 1982 [redacted] North Korea provided 30 percent of the arms that Iran received from overseas. The shipments have consisted primarily of artillery, [redacted]

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This memorandum was prepared by [redacted] Korea Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 12 March 1984 was included. Comments and queries are welcome and may be directed to the Chief, Korea Branch, Northeast Asia Division, OEA, [redacted]

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Copy 26 of 47[redacted]
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antiaircraft machine guns, mortars, and ammunition, although they included tanks, small arms, naval mines, and antitank and surface-to-air missile systems. All of these items are produced in North Korea; we do not believe that their sale has weakened North Korea's own military capabilities.

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Motivations Behind the Arms Trade

In our view, financial gain is the main motive for North Korean sales to Iran. P'yongyang, which since defaulting on its loans in the mid-1970s has been badly strapped for cash, derives an estimated one-third of its hard currency earnings from arms sales to Iran. [REDACTED]

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With exports of \$24.1 billion in 1983, the economic significance of arms trade with Iran and Iraq is less important on a national level for South Korea, but Seoul's economic stake in the region is considerable.

- In our opinion, Seoul believes that military sales improve the chances of access to crude oil on favorable terms. [REDACTED]

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- In 1983, South Korea's civilian exports to Tehran totalled \$650 million, helping to make Iran the South's fifth largest trading partner. Seoul also exported \$145 million worth of goods to Iraq last year.

- Seoul continues to view Iran and Iraq, despite the dislocations and uncertainties caused by the war, as potentially lucrative markets for South Korean construction activity. [REDACTED]

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Both Koreas are also seeking political gains from the conflict. We believe that such activity is best understood in terms of the global competition between the two countries. Before the hostilities in the Gulf region began, P'yongyang had full diplomatic relations with Baghdad and Tehran. Baghdad severed those ties in October 1980 because of North Korea's sale of arms to Iran. Seoul had formal ties only with Iran before the war. The Iraqis--in part to punish the North Koreans--permitted the South to establish consular relations in April 1981, while Iran--moving in the opposite direction--downgraded its ties with South Korea to the charge level three months later. [REDACTED]

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P'yongyang has sought to take advantage of its strengthened ties with Iran to bolster political relations with other radical Middle East states, but we believe any gains achieved on this front are probably outweighed by the setback to North Korea's relations with Iraq and the moderate Arabs. Jordan, for example, has suspended official contact with the North Korean ambassador in Amman. [redacted]

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The South Koreans thus far have more successfully managed the political balancing act, maintaining relations and trade with both Iran and Iraq. Attempts to increase the sale of arms to Iran have caused some problems, however. Saudi Arabia and Jordan threatened to sever relations with Seoul in late 1983 unless Seoul stopped supplying Tehran. [redacted]

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Prospects for Continued Sales

As important as the sale of arms is to P'yongyang and Tehran, the supply relationship is not without problems. [redacted]

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[redacted] These problems notwithstanding, we believe the North Koreans will continue to supply Iran at current levels as long as Tehran is interested and can pay. We believe North Korea cannot easily forgo the foreign exchange earnings from its arms sales, does not consider the political costs (damage to its relations with Iraq and the moderate Arabs) unacceptable, and is not receptive to appeals from third countries to stop its sales. [redacted]

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The situation is more complex for South Korea. Seoul is eager to strengthen economic and political relations with both of the warring parties, but it is also concerned about pressures from the United States and others to halt arms sales to Iran. [redacted]

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